

**California Department of Human Resources
Memorandum**

TO: Personnel Management Liaisons (PML)

SUBJECT: Transfer Lump Sum Separation Pay	REFERENCE NUMBER: 2016-018
DATE ISSUED: June 21, 2016	SUPERSEDES: 2008-030

This memorandum should be forwarded to:

**Personnel Officers
Personnel Transactions Supervisors
Personnel Transactions Staff**

FROM: California Department of Human Resources
Savings Plus

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This PML clarifies the rules on employees' separation lump sum pay transfers of unused leave balances to Savings Plus 401(k) and/or 457 plans.

Lump sum transfers in a current calendar year:

Employees may transfer lump sum separation pay to a Savings Plus 401(k) and/or 457 plan for the current calendar year, regardless of separation date. *All contributions are subject to the annual deferral limits.* For employees whose final pay is issued in December, you must account for the employees' deferral from their December pay in the current tax year when determining how much the employee is eligible to transfer from their accrued leave.

Lump sum transfers to the next calendar year:

Employees may transfer their lump sum separation pay to a Savings Plus 401(k) and/or 457 plan to the next calendar year only if they separate on or after November 1. *All contributions are subject to the annual deferral limits.*

Employee's request to defer lump sum pay:

California Labor Code sections 201 and 202 state employees must submit their request to their personnel office at least five workdays prior to separation. Due to this timing, Savings Plus cannot accept lump sum transfers for employees approved for retroactive

retirement, including disability retirement, unless the employee submits their form to their personnel office at least five workdays prior to the effective date of their retirement. Personnel offices should not accept late forms, as it violates California Labor Code sections 201 and 202.

Posting of lump sum deferrals:

California Labor Code sections 201 and 202 state lump sum deferrals must post to employees' accounts by the following deadlines:

Current calendar year deferrals (for all separation dates)

The earlier of:

- 45 days after the separation date, or
- by February 1 of the calendar year after the year of separation.

Examples:

An employee who separates April 1, their current year deferrals must post by May 15.

An employee who separates December 31, their current year deferrals must post by February 1.

Next calendar year deferrals (only allowed for separations on or after November 1)

- by February 1 of the calendar year after the year of separation.

Given these short timelines, we suggest you encourage employees planning to defer their lump sum payment to submit their request to you 30 calendar days prior to separating to allow for timely processing. Departments that process lump sum deferrals late will be responsible for making the participant's account whole and will be assessed a fee to cover administrative costs as stated in California Code of Regulations, title 2, sections 599.944 and 599.946.

Click here for the latest lump sum deferral form: [Lump Sum Separation Pay](#).

/s/ Michelle Berklacich

Michelle Berklacich, Administrator
Savings Plus Program